

Message Text

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10

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01

PRS-01 /106 W

----- 043011

R 040902Z JUN 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 3113

USDOC WASHDC

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

USINT BAGHDAD

LIMITED OFFICIAL USE KUWAIT 2354

E.O. 11652: N/A

TAGS: ENRG, KU

SUBJECT: KUWAIT MOVES TOWARDS ESTABLISHING TWO MAJOR
PETROCHEMICAL PROJECTS

REF: (A) KUWAIT 1148 (NOTAL) (B) KUWAIT 055 (NOTAL) AND PREVIOUS

1. EMBOFF HAS LEARNED OF STATUS NEGOTIATIONS FOR TWO PETRO-
CHEMICAL PROJECTS TOTALLING \$750 MILLION MOST RECENTLY RE-
PORTED IN REF A. THESE PROJECTS INVOLVE PRODUCTION OF AROMATICS
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AND ETHYLENE/POLYETHYLENE AND STYRENE MONOMERS.

2. SENIOR W.R. GRACE CHEMICAL DIVISION OFFICIALS IN THEIR MOST RECENT VISIT TO KUWAIT CONCLUDED AGREEMENT WITH KUWAIT PETROCHEMICAL INDUSTRIES CO. TO CONTRACT FOR ENGINEERING STUDY TO BUILD PLANT FOR PRODUCTION AROMATICS IN KUWAIT. COMPANY SELECTED TO PERFORM STUDY IS PROCON A SUBSIDIARY OF UOP. PROCON WILL NOT RPT NOT UNDERTAKE EVALUATION OF PROPOSALS OR PROJECT MANAGEMENT BUT WILL LIMIT ITSELF TO ENGINEERING STUDY AND PREPARATION OF TENDER DOCUMENTS, ACCORDING OUR BEST INFORMATION. THIS WILL PERMIT IT TO RECEIVE INVITATION ALONG WITH TWO OR THREE OTHER FIRMS FOR PLANT CONSTRUCTION.

3. WHILE GRACE AGREED TO TAKE THIS STEP, WE UNDERSTAND FROM NON-COMPANY SOURCE THEY DISAPPOINTED WITH SEVERAL DEVELOPMENTS CONCERNING PROJECT. AS ITS PLANS ORIGINALLY CONCEIVED GRACE HOPED TO BE PARTNER ETHYLENE AND STYRENE MONOMER PLANTS HERE, BUT SCALED DOWN ITS PLANS WHEN IT APPEARED UNDERTAKING SEEMED TOO AMBITIOUS FOR KUWAITIS. NOW PIC HAS INDEPENDENTLY APPROACHED FOREIGN CHEMICAL COMPANIES TO PARTICIPATE IN A PROJECT FOR ETHYLENE, POLYETHYLENE, AND STYRENE MONOMERS. THIS MEANS THAT GRACE'S OPTIONS ARE BEING FORECLOSED ON OTHER PROJECTS THEY HOPED TO DO WITH KUWAITIS EVEN BEFORE AROMATICS UNDERWAY. IT NOT ABSOLUTELY DEFINITE THAT STYRENE MONOMERS WILL BE PRODUCED IN CONJUNCTION WITH ANOTHER FOREIGN PARTNER, BUT FOR NOW THISHIPPEARS MOST LIKELY TACK FOR PIC.

4. AS PREVIOUSLY REPORTED TEN FOREIGN FIRMS INVITED FOR ETHYLENE/PE/STYRENE PLANT PARTNERSHIP DISCUSSIONS. ONLY U.S. FIRM TO RESPOND POSITIVELY WAS DUPONT. WE NOW UNDERSTAND DUPONT HAS DROPPED OUT BECAUSE PIC CHAIRMAN RELUCTANT TO DISCUSS WITH THEM FOLLOW-ON DOWNSTREAM VENTURES IN LIEU OF CLEARLY ENUNCIATED POLICY ON SUCH UNDERTAKINS FROM GOK. THIS LEAVES AS MAIN CONTENDERS BASF, CDF-CHEMIE, AND MONTEDISON. WE UNDERSTAND BASF HAS INSIDE TRACK BUT RECENT VISIT OF AMIR TO FRANCE MAY HAVE SOME INFLUENCE SINCE CDF-CHEMIE HAS BEEN CHASING THIS PROJECT FOR QUITE SOME TIME, ORIGINALLY IN A CONSORTIUM WITH OTHER FRENCH COMPANIES.

5. REQUEST COMMERCE CONTACT DUPONT TO VERIFY ACCURACY OF THIS INFORMATION. IF THEY INDEED UNINTERESTED IN EQUITY PARTICIPA-
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TION IN PROJECT, WE WOULD LIKE HAVE THEIR VIEWS.

6. COMMENT: IT NOT ENTIRELY CLEAR IN AN AGE OF MULTI-NATIONALS HOW MUCH SELECTION OF NON-US PARTNER FOR ETHYLENE COMPLEX WILL DETRIMENTALLY AFFECT USE OF U.S. CONSTRUCTION SERVICES AND EQUIPMENT, BUT IT CERTAINLY WILL NOT HELP.
MAU

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Message Attributes

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